VISION CAST SDN BHD & ANOR

v.

DYNACAST (MELAKA) SDN BHD & ORS

COURT OF APPEAL, PUTRAJAYA
ALIZATUL KHAIR OSMAN JCA
ABDUL AZIZ RAHIM JCA
VARGHESE GEORGE JCA
[CIVIL APPEAL NO: J-02-3157-12-2011]
16 MAY 2014

CONTRACT: *Restraint of trade - Agreement - Deed of Restrictive Covenant - Cessation of employment - Restriction to refrain from undertaking competing business - Whether enforceable for a period of 12 months from termination of employment - Whether restrained from involving in any competing business after 12 months period - Conflict between personal interest and duty to employer - Whether proven - Whether there was a breach of contractual obligation to safeguard trade secret - Attempt to restraint from pursuing lawful trade or business - Whether agreement void and unenforceable - Contracts Act 1950, s. 28*

TORT: *Breach of confidence - Disclosure of trade secrets of ex-employer - Confidential information - Whether identified - Contractual obligation to safeguard trade - Whether breached - Conflict between personal interest and duty to employer - Whether proven - Whether there was breach of fiduciary duty - Companies Act 1965, s. 132(1) & (2)*

INTELLECTUAL PROPERTY: *Copyright - Infringement of - Ownership of copyright - Whether proven - Whether respondents' promotional material reproduced in first appellant's brochure - Similarity of - Whether established*

The third respondent/plaintiff was a multinational company where the first and second plaintiffs were members within its group of companies ('Dynacast Group'). The Dynacast Group was involved in the business of die-casting component parts for various customers such as Motorola. The second appellant/defendant had been in service with the Dynacast Group as an employee and had ceased his service with the group on 30 June 2002. On 9 October 2003, the second defendant incorporated the first defendant. A suit was filed in the High Court where it was claimed that the second defendant had, *inter alia*, (i) disclosed the plaintiffs' confidential information in relation to the trade secret as set out

in the deed of restrictive covenant; and (ii) infringed the plaintiffs' copyright. The trial court held that the second defendant was in breach of his confidential obligations when he approached the plaintiffs' customers in respect of the ongoing projects at the time he left the group. Dissatisfied, the defendants appealed to this court. As for breach of copyright, the court found that the plaintiffs had failed to prove ownership of copyright of the marketing brochures and dismissed the claim. Since breach of copyright had not been proved, the court found that the claim under passing off had also failed. Hence, the plaintiffs presented a cross appeal in respect of the said orders. Aside from claiming that the trial judge did not give sufficient regard to the provisions in s. 28 of the Contracts Act 1950, it was also submitted that by virtue of the deed of restrictive covenant, whatever restriction to refrain the second defendant from undertaking any competing business were only relevant or enforceable against him for a period of 12 months from the termination of his employment with the Dynacast Group. It was also argued that there was no evidence that during the course of his employment, the second defendant had put himself in a position of conflict between his personal interest and duty to the employer. Thus, it was submitted that any reliance on ss. 132(1), 132(2) and 135(5) of the Companies Act 1965 ('the Act') was wholly misplaced. On the other hand, the plaintiffs laid emphasis on certain non-disclosure agreements between the Dynacast Group and its individual customers, and it was argued that the terms of the said agreements imposed an obligation on Dynacast Group to maintain confidentiality in respect of the contracted products for the respective customers. It was alleged that the second defendant had breached the contractual obligation to safeguard the trade secret related to the customer's products. In respect of the claim for breach of copyright, it was argued that the defendants had uplifted some photographs or images found in the plaintiffs' published promotional material and was reproduced in the first defendant's brochure.

Held (allowing defendants' appeal; dismissing plaintiffs' cross appeal)

Per Varghese George JCA delivering the judgment of the court:

(1) If viewed from the perspective of the plaintiffs' customers, whatever confidentiality or trade secret harped upon by the plaintiffs was not exclusive to the plaintiffs. It was an open

market situation and Motorola could always have opted for more than one source for the same products. In any event, the design and the make-up of the product were owned by Motorola. Further, the plaintiffs' non-disclosure agreement with a supplier like Motorola and Dynacast Group could not have the effect of imposing a restriction on any previous employee or other suppliers canvassing for and being appointed as addition or as a new supplier. (paras 35 & 36)

(2) The restraints as stated in the deed of restrictive covenant were expressly qualified and limited to a period of 12 months from the second defendant's cessation of employment. The first defendant was incorporated some 15 months after the second defendant had left the services of the Dynacast Group. The second defendant's and/or the first defendant's attempts to secure business in the area of die-casting from some previous customers of the Dynacast Group had only taken place after that date. (paras 46 & 47)

(3) Contractually, there was no restraint on the second defendant being involved in any competing business or in dealing with Dynacast Group's customers after that 12 months period, following the second defendant's cessation of employment. In relation to the contents of material that the second defendant could not divulge, retain or use purportedly without the limitation of the 12 months period, the plaintiffs had failed to show that the material sought to be protected (i) had the necessary quality of confidence; or (ii) was in the second defendant's possession or; (iii) had been disseminated to the detriment of the plaintiffs. Clause 2.1(d) of the deed of restrictive covenant was void and unenforceable since it was an attempt to restraint the second defendant from pursuing a lawful trade or business. (paras 49-52 & 65)

(4) The obligations imposed on a director or officer (employee) to act *bona fide* in the interests of the company and to avoid a conflict between their duties and private interest relates to matters that arise while the director or employee is in office. On the facts, there was no evidence to show that the second defendant, during his tenure in office/in employment with Dynacast Group, had acted in contravention of s. 132(1) and 132(2) of the Act. (para 68)

(5) In an allegation for breach of confidentiality, the plaintiffs had failed to identify, with sufficient particularity in their pleadings, as to what was that confidential information that had been misused and whether it was peculiarly part of Dynacast Group's intellectual property. If the impugned information was from the second defendant's own knowledge, exposure and experience which were accumulated in the die-cast industry over the years, there were no grounds to hold that there had been a breach of fiduciary duty or even a breach of confidentiality by the second defendant. (para 72)

(6) Irrespective of whether the issues of restraint of trade or breach of confidentiality were treated separately or even together, the learned trial judge had misdirected herself on the relevant law which governed the controversy between the parties. The decision of the trial court was premised upon the plaintiffs' defective or insufficient pleadings. Such restraint to pursue a trade or business was unsustainable and bound to be struck down. (paras 76 & 77)

(7) No evidence was produced to show that the copyright had been vested in the plaintiffs. There was no similarity between the plaintiffs' promotional material and the defendants' brochure, in so far as its layout, title and content was concerned. The subject of the allegation for infringement against the defendants was not that the get up or layout or the plaintiffs' promotional material had been word to word reproduced or adopted in the first defendants' brochure. Further to the fact that the claim in passing off was not specifically pleaded, the plaintiffs had failed to establish the essential element to succeed, if at all, on any such claim. There was no reason for this court to interfere with the decision of the learned trial judge which rejected the plaintiffs' allegations of breach of copyright and/or in passing off. (paras 80, 82, 84, 86 & 87)

Bahasa Malaysia *Translation Of Headnotes*

Responden ketiga/plaintif adalah sebuah syarikat yang beroperasi di beberapa buah negara di mana plaintif pertama dan plaintif kedua merupakan ahli di dalam kumpulan syarikatnya ('Kumpulan Dynacast'). Kumpulan Dynacast terlibat dalam perniagaan "die-casting" bagi beberapa pelanggannya seperti Motorola. Perayu

kedua/defendan telah berkhidmat dengan Kumpulan Dynacraft sebagai pekerja dan telah menamatkan perkhidmatannya dengan kumpulan tersebut pada 30 Jun 2002. Pada 9 Oktober 2003, defendan kedua telah menubuhkan defendan pertama. Satu tindakan difailkan di Mahkamah Tinggi di mana didakwa bahawa defendan kedua telah, antara lain, (i) mendedahkan maklumat sulit pihak plaintif berkenaan rahsia perniagaan seperti dinyatakan di dalam surat ikatan waad penyekat; dan (ii) melanggar hak cipta plaintif-plaintif. Mahkamah bicara memutuskan bahawa defendan kedua telah memungkiri kewajipan sulitnya apabila dia berjumpa pelanggan-pelanggan plaintif berkenaan projek-projek yang berjalan pada masa defendan kedua meninggalkan kumpulan itu. Tidak berpuas hati, defendan-defendan telah merayu ke mahkamah ini. Bagi pelanggaran hak cipta, mahkamah mendapati bahawa pihak plaintif telah gagal untuk membuktikan hak milik brosur pemasaran dan menolak tuntutan tersebut. Memandangkan pelanggaran hak cipta tidak dibuktikan, mahkamah mendapati bahawa tuntutan di bawah kelirupaan juga telah gagal. Oleh itu, plaintif-plaintif memfailkan rayuan balas berkenaan perintah-perintah tersebut. Selain daripada tuntutan bahawa hakim bicara tidak memberi pertimbangan yang mencukupi berkenaan peruntukan di bawah s. 28 Akta Kontrak 1950, adalah dihujahkan bahawa menurut surat ikatan waad penyekat, sebarang sekatan untuk menghalang defendan kedua daripada menjalankan perniagaan yang bersaingan hanya sah dan boleh dikuatkuasakan terhadapnya bagi tempoh 12 bulan daripada penamatan pekerjaannya dengan Kumpulan Dynacast. Juga dihujahkan bahawa tiada keterangan untuk menunjukkan bahawa semasa dia masih bekerja, defendan kedua telah berada dalam keadaan di mana terdapat konflik di antara kepentingan dirinya dan tanggungjawab kepada majikan. Oleh itu, dihujahkan bahawa pergantungan terhadap ss. 132(1), 132(2) dan 135(5) Akta Syarikat 1965 ('Akta') adalah salah. Sebaliknya, plaintif-plaintif memberi penekanan kepada beberapa perjanjian ketidakdedahan yang dimasuki di antara Kumpulan Dynacast dan pelanggan-pelanggan individunya, dan adalah dihujahkan bahawa terma-terma perjanjian itu meletakkan kewajipan atas Kumpulan Dynacast untuk mengekalkan rahsia berkenaan produk bagi pelanggan-pelanggan tertentu. Adalah didakwa bahawa defendan kedua telah memungkiri kewajipan kontrak untuk melindungi rahsia perniagaan yang berkaitan dengan produk pelanggan. Berkenaan

A B C D E F G H I

A tuntutan pelanggaran hak cipta, adalah dihujahkan bahawa defendan-defendan telah mengambil beberapa gambar atau imej yang terdapat dalam bahan promosi bercetak plaintif-plaintif dan menerbitkannya semula dalam brosur defendan pertama.

B **Diputuskan (membenarkan rayuan defendan-defendan; menolak rayuan silang plaintif-plaintif)**
Oleh Varghese George HMR menyampaikan penghakiman mahkamah:

C **(1)** Apabila dipandang dari sudut perspektif pelanggan-pelanggan plaintif, sebarang perkara sulit atau rahsia perniagaan yang didakwa oleh pihak plaintif adalah tidak eksklusif kepada mereka. Ia adalah suatu pasar terbuka dan Motorola boleh memilih lebih daripada satu sumber untuk produk yang sama. Bagaimanapun, corak dan buatan produk dimiliki oleh
D Motorola. Tambahan, perjanjian ketidakdedahan plaintif-plaintif dengan pembekal seperti Motorola dan Kumpulan Dynacast tidak boleh memberi kesan untuk mengenakan sekatan terhadap mana-mana pekerja lama atau pembekal lain dan dilantik sebagai pembekal tambahan atau baru.
E

(2) Sekatan yang dinyatakan dalam surat ikatan waad penyekat adalah bersyarat dan terhad bagi tempoh 12 bulan dari penamatan pekerjaan defendan kedua. Defendan pertama ditubuhkan kira-kira 15 bulan selepas defendan kedua
F meninggalkan perkhidmatannya dengan Kumpulan Dynacast. Percubaan defendan kedua dan/atau defendan pertama untuk menjamin perniagaan dalam bidang "die-casting" daripada pelanggan-pelanggan terdahulu Kumpulan Dynacast hanya berlaku selepas tarikh tersebut.
G

(3) Secara kontrak, tiada sekatan terhadap defendan kedua atas penglibatannya dalam sebarang perniagaan persaingan atau dalam mengendalikan pelanggan-pelanggan Kumpulan Dynacast selepas tempoh 12 bulan tersebut, berikutan penamatan
H pekerjaan defendan kedua. Berkenaan kandungan bahan di mana defendan kedua tidak boleh melibatkan diri, memegang atau menggunakannya tanpa had tempoh 12 bulan, plaintif-plaintif telah gagal untuk menunjukkan bahawa bahan yang perlu dilindungi (i) mempunyai qualiti kerahsiaan yang
I diperlukan; atau (ii) berada dalam milikan defendan kedua; atau (iii) telah disebar atas kerugian plaintif-plaintif. Klausa 2.1(d)

surat ikatan waad penyekat adalah terbatal dan tidak boleh dilaksanakan memandangkan ia adalah cubaan untuk menyekat defendan kedua dari menjalankan perniagaan yang sah. A

(4) Kewajipan yang dikenakan atas pengarah atau pegawai (pekerja) untuk bertindak secara *bona fide* bagi kepentingan syarikat dan untuk menghalang konflik di antara kewajipan dan kepentingan sendiri adalah berkaitan dengan perkara-perkara yang berbangkit apabila pengarah atau pekerja masih bekerja di pejabat itu. Berdasarkan fakta, tiada keterangan yang menunjukkan bahawa defendan kedua, semasa bekerja dengan Kumpulan Dynacraft, telah bertindak bertentangan dengan s. 132(1) dan 132(2) Akta. B C

(5) Berkenaan dakwaan untuk kemungkiran kerahsiaan, plaintif-plaintif gagal untuk mengenalpasti, dengan butir-butir mencukupi dalam pliding berkenaan apakah maklumat sulit yang telah disalahgunakan dan sama ada ia adalah sebahagian daripada harta intelektual Kumpulan Dynacast. Jika maklumat berkenaan adalah daripada pengetahuan, pendedahan dan pengalaman defendan kedua yang dikumpul dalam industri "die-casting", tiada alasan untuk memutuskan bahawa terdapat kemungkiran kewajipan fidusiari atau pun kemungkiran kerahsiaan oleh defendan kedua. D E

(6) Tanpa menghiraukan sama ada isu berkenaan penyekatan perniagaan atau kemungkiran kerahsiaan dikendalikan secara bersama atau berasingan, yang arif hakim telah tersalah arah berkenaan undang-undang berkaitan yang mengawal pertikaian di antara pihak-pihak. Keputusan mahkamah bicara adalah berdasarkan pliding plaintif-plaintif yang cacat dan tidak mencukupi. Penyekatan sebegitu untuk menjalankan suatu perniagaan tidak boleh dipertahankan dan sepatutnya dibatalkan. F G

(7) Tiada keterangan dikemukakan untuk menunjukkan bahawa hak cipta telah diletakhak kepada plaintif-plaintif. Tidak terdapat persamaan di antara bahan promosi plaintif-plaintif dan brosur defendan-defendan berdasarkan susun atur, tajuk dan kandungannya. Tuduhan berkenaan pelanggaran terhadap defendan-defendan bukannya bahawa susun atur atau bahan promosi plaintif-plaintif telah diambil perkataan demi perkataan di dalam brosur defendan. Berdasarkan fakta bahawa tuntutan untuk kelirupaan tidak diplid secara spesifik, plaintif-plaintif telah gagal untuk membuktikan unsur penting untuk berjaya, H I

jikapun ada, bagi suatu tuntutan seperti itu. Tiada sebarang alasan bagi mahkamah ini untuk campur tangan dengan keputusan yang arif hakim bicara yang telah menolak dakwaan plaintif bagi kemungkiran hak cipta dan/atau kelirupaan.

Case(s) referred to:

GlaxoSmithKline Australia Pty Ltd v. Ritchie & Anor [2008] VSC 164 ***(refd)***

Maggbury Pty Ltd v. Hafele Australia Pty Ltd [2001] 185 ALR 152 ***(refd)***

Nagadevan Mahalingam v. Millennium Medicare Services [2011] 3 CLJ 529 CA ***(refd)***

Polygram Records Sdn Bhd v. Hillary Ang & Ors (Collectively Known As "The Search") & Anor [1994] 3 CLJ 806 HC ***(refd)***

Schmidt Scientific Sdn Bhd v. Ong Han Suan & Ors [1998] 1 CLJ 685 HC ***(refd)***

Seven Seas Industries Sdn Bhd v. Philips Electronic Supplies (M) Sdn Bhd & Anor [2008] 4 CLJ 217 CA ***(refd)***

Superintendence Company of India (P) Ltd v. Krishan Murgai AIR 1980 SC 1717 ***(refd)***

Svenson Hair Center Sdn Bhd v. Irene Chin Zee Ling [2008] 8 CLJ 386 HC ***(refd)***

Tracerco Asia Sdn Bhd v. Nor Hisham Mohd Nordin & Ors [2013] 7 MLJ 75 HC ***(refd)***

Worldwide Rota Dies Sdn Bhd v. Ronald Ong Cheow Joon [2010] 1 LNS 444 HC ***(refd)***

Yeohata Industries Sdn Bhd & Anor v. Coil Master Sdn Bhd & Ors [2001] 6 CLJ (Supp) 418 HC ***(refd)***

Legislation referred to:

Contracts Act 1950, s. 28

Companies Act 1965, ss. 132(1), (2), (3), 135(5)

Contract Act 1872 [Ind], ss. 27, 28

Other source(s) referred to:

Loh Siew Cheang, *Corporate Powers Accountability*, 2nd edn, Lexis Nexis, Butterworths, p 565

Visu Sinnadurai, *Law of Contract*, 4th edn, Lexis Nexis, 2011, p 738

For the appellants - Bahari Yeow Tien Hong (Muhammad Daniel with him); M/s Nadzarin Kuok Puthucheary & Tan

For the respondents - Meyappan Pillai (Vijaya Segaran & Alvin Teo Sze Pin with him); M/s Meyappan Pillai Assocs

[Editor's note: For the High Court judgment, please see Dynacast (Melaka) Sdn Bhd & Ors v. Vision Cast Sdn Bhd & Anor [2010] 1 LNS 2009.]

Reported by Kumitha Abd Majid

JUDGMENT

Varghese George JCA:

[1] The High Court at Johore Bahru had on 10 November 2011 after a full trial adjudged that:

(a) The respondents/plaintiffs' claim for breach of fiduciary duties and confidences, be allowed;

(b) The respondents/plaintiffs' claims for breach of copyright be dismissed;

(c) The respondents/plaintiffs' claim for passing off be dismissed; and

(d) An inquiry be held before the Deputy Registrar for an account of profits made by the appellants/defendants in respect of the contracts that were carried out by the respondents/plaintiffs at the time the second appellant/defendant had left the respondents/plaintiffs' employ, ie, 30 June 2002 and which thereafter carried out by the appellants/defendants.

[2] The appellants/defendants lodged an appeal against orders (a) and (d) while the respondents/plaintiffs presented a cross-appeal in respect of orders (b) and (c). We heard the parties on 27 November 2013 and unanimously allowed the appeal and dismissed the cross-appeal with an order that the appellants/defendants recover costs in the sum of RM70,000 in respect of the appeal/cross-appeal and for the trial below, from the respondents/plaintiffs.

[3] For convenience of reference, the parties will be referred to in this grounds as they were at the High Court.

Background

[4] The third plaintiff was a multinational company which had the first and second plaintiffs as members within its group of companies ("Dynacast Group"). The Dynacast Group was involved in the business of die-casting of component parts on order for various customers.

[5] On 29 January 1980, the second defendant had been appointed by the second plaintiff as its quality control engineer and he had served in this position till December 1984.

[6] Thereafter the second defendant had also been in service with Dynacast Group in the following capacities:

(a) Production manager of second plaintiff in January 1985;

(b) Factory manager assigned to Dynacast Taiwan from January 1989 to December 1990

(c) Plant manager of second plaintiff from January 1991 to March 1994

(d) General manager of second plaintiff from April 1994 to October 1997

(e) Regional general manager (of Dynacast Group) for Asia-Pacific from 1 November 1997

(f) Regional director (of Dynacast Group) (based in Singapore) from March 2001.

[7] The terms and conditions of the second defendant's service during that course of time were found in the following various documents:

(a) Letter of appointment of 29 January 1980 issued by the second plaintiff (exh. 16A-B).

(b) Confidentiality agreement of 15 July 1987 between the second plaintiff and the second defendant (exh. 17).

(c) Letter of the third plaintiff of 6 August 1997 to the second defendant (when the second defendant was appointed as regional general manager for Asia Pacific) (exh. 18A-B).

(d) Deed of restrictive covenant of 20 December 1999 executed by the second defendant in favour of the third plaintiff (exh. 19A-D).

[8] The second defendant tendered his resignation from service with Dynacast Group on 29 April 2002.

[9] Although the notice period in respect of any cessation of employment was stipulated as six months in the third plaintiff's letter of 6 August 1997, this time requirement was waived by a letter dated 9 May 2002 (from the second plaintiff)(D-41) and the release date of the second defendant was agreed to be effective as of the 30 June 2002.

[10] Subsequent to the second defendant leaving the Dynacast Group, he worked as the general manager of one, GT Industrial Singapore Pte Ltd from 1 July 2002 to September 2003.

[11] On 9 October 2003, the second defendant together with some others incorporated the first defendant.

[12] Counsel for the defendants repeatedly asserted that this was clearly 15 months after the second defendant had effectively been released from the service of the Dynacast Group.

[13] This suit was originally filed by the plaintiffs in Kuala Lumpur High Court *vide* Guaman No. P1-22-362-2005 on 18 March 2005 for relief, amongst others:

(1) An injunction to restrain the 1st Defendant whether acting by themselves or their directors, servants or agents or any of them or otherwise howsoever from doing the following acts or any of them that is to say:

(a) using or disclosing any confidential information of the Respondents obtained through the 2nd Appellant relating to the trade secret as set out in the Employee Confidentiality Agreement and Deed of Restrictive Covenant entered between the 2nd Appellant and the Respondents;

(b) infringing the Respondents copyright in the said work by reproducing or causing the reproduction of the said work and/or causing the said work to be communicated to the public without the licence and the authority of the Respondents;

(c) possessing in the course of business, selling, exposing or offering for sale, distributing in the course of business without licence or authority from the Respondents any copies whatsoever of the said work or any other materials similar to the Respondents' which constitute a representation of the said work owned by the Respondents;

(2) an injunction to restrain the 2nd Appellant or 1st Appellant whether acting by themselves or their directors, servants or agents or any one of them or otherwise however from doing the following acts or any of them that is to say, using or disclosing any confidential information of the Respondents relating to the trade secret as set out in the Employee Confidentiality Agreement and Deed of Restrictive Covenant;

(3) an order for delivery up of all the documents and materials which would offend against the foregoing injunctions as well as the infringing copies and/or goods that offend the said work which are in the Defendants' possession, power, custody or control;

(4) an inquiry as to damages or at the Respondents' option an account of profits and payment of all sums found due by the Defendant upon taking such inquiry or account together with interest thereon arising from the infringement of the Respondents' copyright in the said work;

(5) damages against the Appellants for breach of confidence or, at the Respondents' option, an account of profits made by the Appellants by reasons of the breach of confidence;

(6) an order for discovery of all matters relating thereto.

[14] The High Court at Kuala Lumpur had on 23 February 2006 granted the plaintiffs certain interlocutory injunctions. On appeal by the defendants, the Court of Appeal on 31 October 2008 set aside the injunction and ordered that the matter (by then transferred to the High Court at Johore Bahru by order of court of 29 March 2007) be disposed off expeditiously.

[15] Subsequent to the decision of the trial court of the 10 November 2011, the defendants had on 28 June 2012 obtained a stay on the orders from the Court of Appeal pending disposal of the appeal before us.

High Court

[16] The material parts of the grounds of decision of the learned trial judge were in the following terms:

6. From the evidence adduced at trial, I am satisfied that it has been proved that it was the 2nd defendant who did poach the plaintiffs' customers for projects that were ongoing with

Dynacast at the material time i.e. when he left the 2nd plaintiff as testified by the defendant's own witnesses especially DW5 and DW7.

...

...

...

11. Accordingly the 2nd defendant by soliciting for business from Dynacast's customers and using information he had obtained by virtue of his previous employment with Dynacast is in breach of the obligations of confidentiality as provided for in the agreements he had entered with Dynacast.

12. The defendant has raised the issue *inter alia* that the restrictive covenants are in breach of s. 28 of the Contracts Act 1950 [*sic*] which provides that:

> Every agreement by which anyone is restricted from exercising a lawful profession trade or business of any kind is to that extent void.

It is argued that the restrictive covenants were crafted in language that was far too wide and covered far too much and was therefore void and/or unenforceable.

13. The plaintiffs have made it abundantly clear that they are not seeking to enforce the restrictive covenants *in toto* but are only concerned with the 2nd defendant's encroachment into their ongoing projects at the time he left Dynacast.

14. I agree that as insofar as this head of claim is concerned, the 2nd defendant is in breach of his confidential obligations when he approached Dynacast's customers in respect of ongoing projects at the time he left Dynacast and should be held accountable for it.

Breach of copyright

15. As for the second head of breach of copyright, I agree with the defendants that the plaintiffs have failed to prove ownership of copyright of the photographs and marketing brochures which the plaintiffs claim the defendants to have infringed. The plaintiffs called one Peter Lewis, the Managing Director of Concept Associates which was commissioned to produce the marketing and promotional brochures. Most of Peter Lewis's evidence (PW1) was hearsay.

16. I find the claim under breach of copyright has not been proved on the balance of probabilities and is therefore dismissed.

Passing off

17. Since breach of copyright has not been proved the claim under passing off also fails.

Before Us

[17] Counsel for the defendants urged upon us that this was a proper case for appellate intervention as the decision of the learned trial judge, he argued, was arrived at without sufficient evaluation and/or appreciation of the evidence before the court and further without taking into account all relevant aspects of the law on the issues of 'fiduciary duties' and the alleged breach of 'confidentiality'.

[18] It was submitted that whatever restriction to refrain from undertaking any competing business which the second defendant was bound to, as an executive, was as found within the deed of restrictive covenant and this was in any event expressly limited to a period of 12 months following his termination of his employment with the Dynacast Group. The learned trial judge, it was contended, did not also give sufficient regard to the provisions of s. 28 of the Contracts Act, 1950 whereby any term in a contract which restrained anyone from exercising any lawful profession, trade or business of any kind was void to that extent, (save under the exceptions therein in that section stated).

[19] It was also the submission of counsel for the defendants that the allegations against his clients were in respect of the acts or conduct of the second defendant after he had left the services of the Dynacast Group and there was no evidence that the second defendant during the course of his employment had put himself in a position of conflict between his personal interest and duty to the employer or misused the position for his personal advantage or was disloyal to his employer. Accordingly any reliance on ss. 132(1), (2) and 135(5) of Companies Act, 1965 referred to by the learned trial judge (but not analysed further) was wholly misplaced.

[20] As regards the holding of the trial court that there was a 'breach of confidentiality', it was contended that to succeed in an action for breach of confidence, it had to be established that the information sought to be protected had the necessary quality of confidence, the information was communicated in circumstances importing an obligation of confidence and it was an unauthorised use to the detriment of the owner of the information; all these elements had not been met in this case.

[21] Furthermore, it was highlighted that details or the particulars of the confidential material or information sought to be protected or which formed the subject of the allegation of misuse, had not been pleaded by the plaintiffs. There had to be clear and precise identification of such material in the statement of claim; an averment in wide and general terms was not acceptable in law.

[22] However, counsel for the defendants submitted that the learned trial judge was not in error in dismissing the plaintiffs' allegation of breach of copyright and/or passing off with respect to the promotional material/brochure issued and used by the defendants.

[23] The claim based on 'passing off' it was submitted was not pleaded at all and, in any event, there was no evidence of any misrepresentation or that the impugned material had misled any prospective customer or the public, or such act had affected the goodwill or reputation of the plaintiffs. The plaintiffs, it was also contended, had not on evidence established the authorship/ownership of the photographs/depictions used in the defendants' brochure; the tests of sufficient effort and originality (underlying a claim for copyright) had also not been met in the circumstances to vest any copyright in favour of the plaintiffs as claimed.

[24] For the plaintiffs, it was argued that the learned trial judge's findings on breaches of confidentiality and fiduciary duties against the defendants were premised on evidence led at the trial and were sound in fact and in law.

[25] It was pointed out by counsel that the letter of appointment (29 January 1980), the confidentiality agreement (15 July 1987) and the letter of appointment as regional general manager (6 August 1997) commonly imposed an obligation (acknowledged

by the second defendant) that even after termination of his employment, the second defendant was not to disclose or use confidential information/trade secrets of the plaintiffs.

[26] As regards the deed of restrictive covenant (20 December 1999), it was counsel's submission that cl. 2.1(d) thereof should be read disjunctively and the limitation of the restriction to 12 months after termination as found in cls. 2.1(b), (c), (e), were not applicable to the matters covered in cl. 2.1(d).

[27] Counsel for the plaintiffs before us laid much emphasis on certain non-disclosure agreements ("NDA") between Dynacast Group (or companies within it) and individual customers (like Motorola), and it was argued that the terms of the NDA imposed an obligation on Dynacast Group to maintain confidentiality in respect of the contracted products for the respective customers. It was submitted that correspondingly employees of the Dynacast Group (past or current) had a similar 'contractual obligation' to safeguard the 'trade secret' related to the product of the customer. Allegedly this had been breached by the second defendant.

[28] In so far as to what actually constituted the 'confidential information' alleged to have been misused by the second defendant, counsel for the plaintiffs referred to materials in 'bundle K' (originally subject to a provisional confidential order but subsequently, as it appeared, admitted as P33) and also mentioned 'customer list', pricing of the products etc as amounting to that alleged 'confidential' material.

[29] Upon being questioned by us counsel for the plaintiffs however conceded that the only description or 'detail' as what formed 'confidential information' sought to be protected or alleged to have been misused by the second defendant, was that stated in para. 9 of the statement of claim and this it must be pointed was only in very general terms.

[30] As regards the claim of a breach of 'fiduciary duty' by the second defendant, counsel argued that it was premised on statute, namely, ss. 132(1), (2) and (3), and in equity, the second defendant, it was contended, had carefully planned and incorporated the first defendant to canvass the very same work and to take away ongoing projects that Dynacast was undertaking and to this end had approached the business clients of Dynacast.

[31] In respect of the 'breach of copyright' claim (the subject of the cross-appeal), it was argued by counsel for the plaintiffs that basically the complaint of the plaintiffs was that the defendants had uplifted some 'photographs' or images found in the plaintiffs' published promotional material and reproduced the same in the first defendants' brochure. As regards, the tortious claim for 'passing off', counsel in oral submissions before us maintained that there was a case in 'passing off' since, by use of defendants' brochures which carried those photographs the defendants were representing to the public that those 'parts' shown there was produced by them when as a fact they were not manufactured by the defendants at all. Consequently this amounted to deriving benefit from Dynacast's reputation and property, it was submitted.

Our Opinion

[32] A convenient point to start would be with a review of some key parts of the evidence in court that was highlighted for our attention by counsel for the defendants.

[33] The plaintiffs' witness (PWS-2) Nagoor Sheriff Babu's testimony under cross-examination, in so far as material for our purposes, were:

(a) At pp. 511 RR Jilid 3 (Bahagian B)

With reference to the impugned brochure of the defendants:

Johann: Are they photograph of products belonging to you or belonging to others?

Sheriff: There are parts we supply to our customers.

Johann: No. Answer my question. Are there photographs of products belonging to you?

Sheriff: These are products belonging to my customers.

...

Johann: Do you own the product that formed the photograph?

Sheriff: No.

Johann: Are the Defendants prohibited from publishing any photograph of competing products?

Sheriff: I don't know.

...

(b) At p. 523 RR Jilid 3 (Bahagian 3)

Johann: What documented information did he steal?

Sheriff: I don't know.

Johann: Do you know if he had done any preparatory work before he left to take document and set up Vision Cast?

Sheriff: I don't know.

(c) At p. 525/526 RR Jilid 3 (Bahagian B)

Johann: Fidelity means loyalty. That he was disloyal at the time he was with Dynacast. And he was disloyal in a particular manner. Meaning that he had made the copies or had secretly memorised the copies. Is this your claim against him?

Sheriff: No.

...

...

Johann: Would you agree with me that he was entitled to compete after expiry of that clause?

Sheriff: Yes.

Johann: Is it your evidence that although he may compete he must not visit your customer?

Sheriff: No.

Johann: Is it your evidence that whilst he may compete he must not open business in Johore Bahru.

Sheriff: No.

[34] The evidence of defendants' witness (DW-5) W K Khor (Business Interface Manager, Motorola Penang) *inter alia* under cross-examination was:

Vijaya: Do you agree that Dynacast was undertaking the following projects for Motorola at that time the 2nd Defendant Mr Cheok was holding a Senior position, namely Marlin, Guppy, Piranha and Waris.

Khor: Yes.

Vijaya: When were you first aware that Mr. Cheok had left Dynacast?

Khor: In 2004, when he visited Motorola and discussed business opportunities with me.

Vijaya: Do you agree that when he came to your place at Motorola in Penang that he discussed this Waris, Guppy, Marlin and Piranha projects with you?

Khor: No. He did not talk about particular projects. He mainly asked for business opportunity. Not specific projects.

...

...

Vijaya: Do you agree that Motorola gave him the projects, to Vision Cast because the pricing was lower?

Khor: Yes.

...

...

Vijaya: Do you agree that Motorola cannot give the projects i.e. Marlin, Waris, Guppy to simply any diecaster because you are protected by NDA between both companies and there is also a confidentiality agreement in respect of the employees or senior management of each company. They cannot divulge it outside?

Khor: Disagree.

Vijaya: So you can do that?

Khor: Yes.

Vijaya: What do you mean to say that you can divulge the information to other?

Khor: We can do source strategy.

...

Vijaya: Do you agree that Motorola still engages Dynacast because of their capabilities?

Khor: Yes.

Vijaya: One example of it is the Mackinow project which was awarded to Dynacast when other diecasters have failed? Do you agree?

Khor: Disagree. It is a dual source strategy.

And under re-examination, the testimony of this witness was: (at p. 860 RR Jilid 5 (Bahagian B))

Johann: Lets go back to 2004. Did Mr Cheok visit Motorola on his own accord or was he requested to visit? Was he called to Motorola?

Khor: I don't know.

Johann: You don't know whether he was invited?

Khor: Personally, I did not invite him. But anyone else I have no idea.

Johann: You were also asked some of the contracts were awarded to Vision Cast the pricing was lower. But in that process you said one of the reasons. Can I ask you to expand on that? What are the other reasons for awarding contracts?

Khor: In 2004 we had expanded the Motorola Penang facility to take in more projects. So we need more local diecasting supplier to support the expansion plan. At the same time we are trying to localise more existing parts in Malaysia. We have other projects we are using European supplier or US supplier. We are trying to move that to a local source. In the year 2002 to 2005.

Johann: So you were looking for more local diecaster?

Khor: Yes.

Johann: Were you entitled to look for local diecasters or to appoint any diecaster you wish in 2004?

Khor: Of course.

Johann: In appointing any other diecaster in 2004. Did you need the permission of Dynacast?

Khor: No.

...

Johann: You were asked specifically in cross-examination and it was put to you that Motorola cannot give project to simply any diecaster. And you said no. You disagree. Can you explain why Motorola can give to any diecaster?

Khor: Because the design belongs to Motorola. That part, Motorola has the right. And when they sign the NDA we the nett supplier they have to comply to the same terms. They cannot share with other suppliers. But Motorola can go and sign 2 or more NDA with the supplier doing the same project.

Johann: You mentioned dual source. What do you mean by dual source?

Khor: That means for the same project we can work with more than one supplier. Can be multiple suppliers that are working on the same project with Motorola at the same time.

Johann: Like Guppy, Piranha which were names that have come up now, you are entitled to have dual sources?

Khor: Yes.

Johann: And one of those sources is Vision Cast?

Khor: Yes.

Johann: And the other is?

Khor: Dynacast.

...

...

[35] Significant aspects of the evidence reproduced above appeared to have escaped the consideration of the learned trial judge. If viewed from the perspective of the customers of the plaintiffs (Motorola being used by the plaintiffs and their projects Marlin, Guppy, Piranha and Waris being specifically cited as the ongoing ones 'encroached' upon by the second defendant), whatever 'confidentiality' or 'trade secret' harped upon by the plaintiffs was definitely not exclusive (from the evidence of their

witnesses) to the plaintiffs as claimed. It was an open market situation and Motorola could always have opted for more than one source for the same products. The design of and the make-up of the product was owned by Motorola in any event.

[36] The plaintiffs' NDA with a supplier like Motorola and Dynacast Group could not, also by itself, have had the effect sought to be made out by plaintiffs' counsel, namely, that of imposing a restriction on any previous employee or other suppliers canvassing for and being appointed as additional or as a new supplier. No permission from Dynacast Group was required by any customer for multi-sourcing the product from another supplier(s).

[37] The learned trial judge in her decision at para. 7 in somewhat adverse assessment of the second defendant, stated as follows:

> 7. A material defence witness, one W.K. Khor (DW5) from Motorola, an important customer of Dynacast at the material time confirmed in cross-examination that it was the 2nd defendant who approached him for business and not the other way around as alleged by the 2nd defendant in his witness statement. DW5 also confirmed that Marlin, Guppy, Piranha and Waris were ongoing projects being undertaken by Dynacast at the point of time the 2nd defendant was still in Dynacast holding a senior position. DW5 went on to confirm that these projects were given to the defendants on being approached by the 2nd defendant.

[38] However a closer scrutiny of the testimony of DW5, particularly that under re-examination (as highlighted earlier) showed that the possibility of the second defendant being invited over (considering expansion in Motorola's business, requirements and its policy of having multiple sources) was not something that could be ruled out. In any case, DW5 himself positively affirmed that discussions he had with second defendant centred on 'business opportunities' and not in respect of those projects being undertaken by Dynacast Group for Motorola.

[39] Clearly therefore the observations made and conclusions arrived at by the learned trial judge were without proper and sufficient appreciation of the totality of the evidence placed before the court. What was more disconcerting was the fact that this misdirection by the learned trial judge was in respect of a

foundational aspect of the plaintiffs' case, that the defendants had breached confidential obligations and had 'encroached' into the ongoing Marlin, Guppy, Piranha, Waris projects of the Dynacast Group with Motorola.

[40] On the other hand, if taken from the perspective of the personal restrictions, which it was asserted the second defendant had agreed to, it ought to have been held by the trial court that the terms of the deed of restrictive covenant (20 February 1999) was the more relevant one (in contrast to the letters of appointment/confidentiality agreement) to be looked at considering that it was the later in time and more importantly it was entered into by the second defendant with the third plaintiff, the parent company and its scope covered all companies within the Dynacast Group.

[41] Clause 2.1 of the deed of restrictive covenant, in so far as was material for our consideration, is reproduced in its entirety here:

> 2. Executive's Restrictive Covenants
>
> 2.1 Subject to clause 2.2 the Executive undertakes to the Investors and, as a separate undertaking, to the Company (for itself and as trustee for each member of the Group) that:
>
> (a) he will, **during the period of his employment** by the Group, observe the terms of his contract of service with the Group and will not be concerned or interested in any business (other than the business of the Group) whether or not in competition with any business carried on by the Group;
>
> (b) **he will not at any time during the period of 12 months from the termination of his employment** with the Group be concerned in any business within **Singapore** (the "Restricted Territory") competing with any of the businesses carried on by the Group at the time he ceases to be so employed;
>
> (c) he **will not at any time during the period of 12 months following the termination of this employment** with the Group on his own account or for any other person **solicit the services of, or endeavour to entice away from the Group any director, employee or consultant** of the Group

A who during the period of 12 months prior to such termination occupied a senior or managerial position in relation to the Company or any of its subsidiary undertakings and with who the Executive had regular dealings in the course of his employment ...

B (d) he will not (except in the proper performance of his duties as an employee of the Group or as required by law) **during the period of his employment with the Group or at any time thereafter** divulge to any person whomsoever or otherwise make use of (whether for his own or another's benefit), take away, conceal, or destroy or retain and shall use all reasonable endeavours to prevent the *publication or disclosure or any trade secret or other confidential information concerning the businesses, finances, dealings, transactions or affairs of the Group or any of it's customers or clients* entrusted to him or arising or coming to his knowledge during the course of his employment with the Group; and

(e) he **will not at any time during the period of 12 months from the termination of his employment** with the Group solicit (either on his own account or as the agent or employee of any other person) the customer of or deal with any person in respect of goods or services competitive with those supplied by the Group during the period of 12 months prior to such termination, such other person (or their agents) having been a client or customer of the Group in respect of such goods or services during such period and with whom or which the Executive had dealing during the course of his employment.

(emphasis added)

[42] It would be noted that the restriction found in cl. 2.1(a) imposed upon the second defendant was in any event for the period/duration of his employment with the group. The restrictions in 2.1(b), (c) and (e) on the other hand, similarly in any event, were only relevant or enforceable against second defendant for a period of 12 months from termination of second defendant's employment with the Dynacast Group.

[43] The restriction in 2.1(d) did not stipulate any limitation by period of time as found in the other sub-clauses and it was stated that the restraint there was to be ' ... during the period of his employment with the Group or at any time thereafter ...'.

[44] Counsel for the plaintiffs, as alluded to earlier contended that this covenant was binding on the second defendant at all times without any limit (in perpetuity, in other words).

[45] It surely begged the question, firstly, as to what exactly was the nature of matters restrained here in this sub-cl. 2.1(d). Secondly, whether in any case, such a restraint was sustainable in law, and finally and more pertinently, whether there was sufficient evidence placed before the court to hold that the actions of the defendants were indeed caught within the terms of that sub-clause. These are discussed in detail later in this grounds.

[46] It was undisputable on a plain reading of those terms, that by cl. 2.1(b) the restraint on the second defendant was to refrain from entering into any competing business within Singapore, and by cl. 2.1(e) not to solicit from any customer, goods or services competitive with those supplied by the Dynacast Group (for 12 months prior to the termination). Both these types of restraints were expressly qualified and limited to a period of 12 months from the second defendant's cessation of employment (30 June 2002).

[47] The evidence before the court was that the first defendant was only incorporated on 9 October 2003, that is, some fifteen months after the second defendant had left the services of the Dynacast Group. There was no issue that the second defendant's and/or the first defendant's attempts to secure business in the area of diecasting from some previous customers of the Dynacast Group, had only taken place after that date.

[48] Even DW7 from a previous customer of the plaintiffs (Manufacturing Manager of SOSS Pte Ltd having charge of purchasing activities) was firm in his evidence that the second defendant only approached that company one or two weeks before a first quotation (16 October 2003) was received from the first defendant and that the supply of the ordered parts only commenced in January 2004. This company too had also more than one source and their focus was on the price, the service and quality offered by any supplier. There was in other words no exclusive arrangement with Dynacast Group.

[49] It was obvious to us that the learned trial judge had omitted or overlooked the agreed 12 months extent of any restraint between the parties if at all that was enforceable and valid.

Contractually there was no restraint on second defendant being involved in any competing business (in Singapore or even in Malaysia, where the first defendant was incorporated) or in dealing with the customers of Dynacast Group after that 12 months period, following the second defendant's cessation of employment.

[50] Reverting back to cl. 2.1(d), even if it could be enforced against the second defendant (dealt with further below), the first question to be asked was, what was the 'content' of material that the second defendant could not divulge, take away, retain or use purportedly without the limitation of the 12 months period above. That clause itself limited such material to '... trade secret or other confidential information concerning the businesses, finances, dealings, transactions or affairs of the Group or any of it's customers or clients ...'.

[51] The first observation that had to be necessarily made was that this was merely a broad-brush sweep of matters intended to be encompassed, specifics of which would vary according to particular circumstances, as it unfolded.

[52] This was where the submissions of counsel for the defendants, in our view, became relevant. Firstly, the pleadings were bereft or devoid of any proper or sufficient identification of the impugned material. Secondly, the plaintiffs had failed to even show that the material sought to be protected had (1) the necessary quality of confidence, or (2) that such material was in the second defendant's possession or even that (3) it had been disseminated to the detriment of the plaintiffs.

[53] In *GlaxoSmithKline Australia Pty Ltd v. Ritchie & Anor* [2008] VSC 164, the Supreme Court of Australia noted as follows:

> 37 The question of misuse looms large. The plaintiff's allegations cover wide ground. The defendants, in response, contend that either there was no relevant use at all - none of their plans involved a misuse of information, and there has certainly been no actual misuse - or (which is, in part, the same thing) that the information in question was and is not a trade secret, and has become part of Mr Ritchie's general background knowledge ... He was entitled to seek opportunities outside GSK, and to put his professional attributes to their best use. He did no more than that.

> 38 In these circumstances, careful pleading is required. It ought not be the judge who is left to identify that which, in a breach of confidence case, the plaintiff contends has been misused. I do not wish to be unjustly critical, and appreciate the problems to which confidential information litigation gives rise: … Yet the law must insist not only upon the clear and precise identification of the information upon which the plaintiff relies, but also that that identification be restricted to information that is properly characterised as confidential. I respectfully adopt the words of Laddie J in *Ocular Sciences v. Aspect Vision Care Ltd*:
>
> The requirement of particularity may impose a heavy burden on the plaintiff. ... The normal approach of the court is that if a plaintiff wishes to seek relief against a defendant for misuse of confidential information it is his duty to ensure that the defendant knows what information is in issue. ...

[54] In *Tracerco Asia Sdn Bhd v. Nor Hisham Mohd Nordin & Ors* [2013] 7 MLJ 75, Mary Lim J at the High Court endorsed this basic requirement in the following terms:

> [26] The decisions of *Ocular Science Ltd v. Aspect Vision Care Ltd (No 2), Cm-Centres for Medical Innovation GMBH & Another v. Phythopharm PLC* [1999] Ch D 235; *John Zinc Company Limited v. Wilkinson & Another and Chiarapurk Jack & Others v. Haw Par Brothers International Ltd concern*, *inter alia*, claims of similar nature, and are of much assistance. These decisions **remind the need to identify and plead clearly the confidential information** on which the plaintiff intends to rely in the proceedings; the circumstances of confidence; the information which can be shown to be of the type which could be treated as confidential; and that it was in fact used without license or consent.
>
> [27] In *Ocular Science Ltd v. Aspect Vision Care Ltd*, at p 359, Laddie J expressed the view that the '*rules relating to the particularity of pleadings apply to breach of confidence actions as they apply to all other proceedings. The courts are therefore careful to ensure that the plaintiff gives full and proper particulars of all the confidential information on which he intends to rely on in the proceedings.' He then proceeded to deal with the consequence of non-compliance of such rules, the inferences that may be drawn by the court, cautioning that such actions are liable to be struck out if found to be abuses of process or where the claims are found to be instruments of oppression or harassment against the defendant.* (emphasis added)

[55] In *Seven Seas Industries Sdn Bhd v. Philips Electronic Supplies (M) Sdn Bhd & Anor* [2008] 4 CLJ 217, the Court of Appeal held:

> ... The learned judge in dismissing the appellant's claim referred to *Coco v A.N. Clark (Engineers) Ltd.* [1969] RPC 41, which sets out the three elements to be established in order to succeed in an action for breach of confidence, that is to say, firstly, the information sought to be protected has the necessary quality of confidence; secondly, the information was communicated in circumstances importing an obligation of confidence; and, thirdly, there must be unauthorised use of that information to the detriment of the party communicating it ...

[56] The learned trial judge in her evaluation of the material before the court appeared not to have addressed the above strict requirement and had omitted to apply it against the plaintiffs.

[57] It was also the defendants' submission that what the plaintiffs were attempting was to restrain the defendants from pursuing a lawful trade or business and pursuant to s. 28 of the Contracts Act, 1950, such restraints as found in cl. 2, in particular cl. 2.1(d) of the deed of restrictive covenant, were void.

[58] The provisions of s. 28 of the Contracts Act 1950 pertinent to this issue was as follows:

> Every agreement by which anyone is restrained from exercising a lawful profession, trade, or business of any kind, is to that extent void.
>
> Saving of agreement not to carry on business of which goodwill is sold;
>
> Exception 1 - One who sells the goodwill of a business may agree with the buyer to refrain carrying on a similar business, within specified local limits, so long as the buyer, or any person deriving title to the goodwill from him, carries on a like business therein:
>
> Provided that such limits appear to the court reasonable, regard being had to the nature of the business.
>
> of agreement between partners prior to dissolution;
>
> Exception 2 - Partners may, upon or in anticipation of a dissolution of the partnership, agree that some or all of them will not carry on a business similar to that of the partnership within such local limits as are referred to in exception 1.

or during continuance of partnership.

Exception 3 - Partners may agree that some one or all of them will not carry on any business, other than of the partnership, during the continuance of the partnership.

[59] Elaborating on the purport and effect of this provision, the Court of Appeal in *Nagadevan Mahalingam v. Millennium Medicare Services* [2011] 3 CLJ 529; [2011] 4 MLJ 739 stated:

[11] The said s 28 clearly provides that a contract in restraint of trade in void unless it falls under any of the exceptions thereto. It is apparent to us that the said provision is a statutory codification of the common law principle on this subject. However, we shared the view expressed by Visu Sinnadurai J in *Polygram Records Sdn Bhd*, that the validity of such covenant is not subject to the 'reasonableness test' under the common law. On this issue we also find support in the opinion expressed by Hashim J in *Wrigglesworth* case, to the effect that the English cases were not applicable in the interpretation of the said section. Further, in our view, the inclusion of the three common law exceptions to the general rule on the covenant in restraint of trade as provided in that section is a clear manifestation of the intention of the legislature to make the said provisions exhaustive.

[12] We will proceed with the first issue. In *Petrofina (Gr Britain) Limited v. Martin and Another* [1966] 1 All ER 126, Lord Diplock said, at p 138: 'A contract in restraint of trade is one which a party (covenantor) agrees with any other party (the covenantee) to restrict the liberty in the future to carry on trade with other persons not parties to the contract in such manner as he chooses ...' In the instant case it is apparent to us that the covenant in said cl 11(iii) had the effect of restricting the liberty of the appellant to carry on the practice of medical practitioner in future either by himself or with other persons for such period and within such limit as specified therein. We therefore conclude that it is an agreement in restraint of trade within the meaning of s 28 of the Act.

[13] There remains the question as to whether such an agreement was made in anticipation of the dissolution of the partnership so as to fall within the ambit of the said exception 2. In our view it was not so made. ... Since the appellant was not even a partner of the firm then, it cannot be said that the said agreement was made in anticipation of the dissolution

> thereof. Further, it was not even pleaded in the statement of claim that the restrictive covenant sought to be enforced herein was made with such an objective.
>
> [14] For the reasons aforesaid, we hold that the clause sought to be enforced herein was a covenant in restraint of trade, and therefore void under s. 28 of the Act ...

[60] Visu Sinnadurai J in *Polygram Records Sdn Bhd v. Hillary Ang & Ors (Collectively Known As "The Search") & Anor* [1994] 3 CLJ 806; [1994] 3 MLJ 127 HC, speaking of the effect of a post-contract restraint, observed:

> ... Whilst the validity of such covenants are tested by the reasonableness tests by English courts, the position in Malaysia is different. Once the Malaysian courts take the view that a particular covenant is a covenant in restraint of trade, the courts have no discretion, but to declare it to be void under section 28 of the Act, subject to the three exceptions provided for by the said section: see also *Wrigglesworth v. Wilson Anthony* (1964) MLJ 269 HC.

[61] The Supreme Court of India in *Superintendence Company of India (P) Ltd v. Krishan Murgai* AIR 1980 SC 1717 had occasion to consider in detail the scope of s. 27 of the Indian Contract Act 1872 (similar to our s. 28 save that there was only the first exception remaining in the Indian provision). The court pointed out:

> Neither the test of reasonableness nor the principle that the restraint being partial was reasonable are applicable to a case governed by section 27 of the Contract Act, unless it falls within exception 1. Under section 27 a service covenant extended beyond the termination of the service is void.

[62] In the recent decision of the Australian High Court in *Maggbury Pty Ltd v. Hafele Australia Pty Ltd* [2001] 185 ALR 152 it was stated:

> The fact that the restraint can be said to have freely been bargained for by the parties to the contract provides no sufficient reason for concluding that the doctrine should not apply. All contractual restraints can be said to be of that character.

[63] The only contrary position as regards the effect of s. 28 on agreements restraining one from being engaged in similar trade after resignation (termination) appeared to be that expressed by

Abdul Malik J in the High Court case of *Worldwide Rota Dies Sdn Bhd v. Ronald Ong Cheow Joon* [2010] 1 LNS 444; [2010] 8 MLJ 297. His Lordship there in that case while acknowledging the strict terms of s. 28 and the need for legislative intervention to change its rigours, yet opted to apply the common law regime (of reasonable restraint) to the issue of restraint of trade.

[64] The learned author of Visu Sinnadurai, *Law of Contract* (4th edn) (Lexis Nexis, 2011) (at p. 738) opines that this decision was clearly wrong in importing a test of reasonableness to determine the validity of a clause in restraint of trade.

[65] Following from the above cl. 2.1(d) in so far and to the extent that it was an attempt to restrain the second defendant from pursuing a lawful trade or business was void and unenforceable.

[66] Before the trial court, as well as before us, counsel for the plaintiffs relied on s. 132(1) and s. 132(2) of the Companies Act 1965 as the foundation for the plaintiffs' contention that the second defendant had been in breach of fiduciary duties owed to the Dynacast Group. The learned trial judge appeared to have been persuaded to hold so on that basis too, although there is scant discussion on the proper import of those provisions.

[67] Section 132(1) is in the following terms:

> 132. As to the duty and liability of officers
>
> (1) A director of a company shall at all times exercise his powers for a proper purpose and in good faith in the best interest of the company.

Section 132(2) reads:

> (2) A director or officer of a company shall not, without consent or ratification of a general meeting:
>
> (a) use the property of the company;
>
> (b) use any information acquired by virtue of his position as a director or officer of the company;
>
> (c) use his position as such director or officer;

A

(d) use any opportunity of the company which he became aware of, in the performance of his function as the director or officer of the company; or

(e) engage in business which is in competition with the company,

B

to gain directly or indirectly, a benefit for himself or any other person, or cause detriment to the company.

[68] It must firstly be pointed out that the obligations imposed on a director or officer (employee) to act *bona fide* in the interests C of the company and to avoid a conflict between their duties and private interest only relate to matters that arise while the director or employee was in office. Of course, a defaulter could be hauled up even after he has left office but the act complained of should have arisen during his tenure in the office.

D

[69] There was no evidence brought against the second defendant in this case, that during his tenure in office/in employment with Dynacast Group, he had acted in contravention of those provisions.

E

[70] Secondly, a distinction had to be drawn. The complaint at hand of the plaintiffs in this case was that essentially an ex-director or ex-employee concerned (second defendant) had 'stolen' the company's information and used it for a personal benefit; the F business sensitive information identified orally in submission was - customer list, product pricing and such like.

[71] A helpful commentary on how such a scenario should be viewed is found in Loh Siew Cheang, *Corporate Powers Accountability* (2nd edn) (Lexis Nexis. Butterworths) at p. 565 and G is reproduced here.

> Thirdly, when a director resigns, the law is generally against imposing restraints upon his freedom to carry out lawful undertaking. In Malaysia, agreements by which a person is H restrained from exercising a lawful profession, trade, or business of any kind, is to that extent void: s 28, Contracts Act 1950. This is to be distinguished from 'stealing' information which may generally be regarded as property of the company by appropriating it for personal use to carry out an undertaking upon resignation. **A relevant consideration is that there is no fiduciary duty** I **against legitimate competition between director (and employees for that matter) with a company upon resignation**:

Balston Ltd v. Headlines Filters Ltd. In a contest where a company alleges that a former director or employee must account for profits upon the basis that he had made use of 'corporate property' in earning the profits, the court's task is to strike a balance between two competing interests - the interests of the company in its property which must be left behind by the resigning director or employee and the interests of the individual in pursuing a legitimate undertaking for himself. In *Stenhouse Australia Ltd v. Marshall William Davidson Phillips*, a case concerning a covenant against soliciting clients after termination of employment, Lord Wilberforce in the Privy Council said:

> The accepted proposition that an employer is not entitled to protection from mere competition by a former employee means that the employee is entitled to use to the full any personal skill or experience even if this has been acquired in the service of his employer: it is this freedom to use to the full a man's improving ability and talents which lies at the root of the policy of the law regarding this type of restraint. Leaving aside the case of misuse of trade secrets or confidential information (which is separately dealt with by clause 3 of the agreement and which does not arise here), the employer's claim for protection must be based upon the identification of some advantage or asset inherent in the business which can properly be regarded as, in a general sense, his property, and which it would be unjust to allow the employee to appropriate for his own purposes, even though he, the employee, may have contributed to its creation. For while it may be true that an employee is entitled - and is to be encouraged - to build up his own qualities of skill and experience, it is equally his duty to develop and improve his employer's business for the benefit of his employer. These two obligations interlock during his employment: after its termination they diverge and mark the boundary between what the employee may take with him and what he may legitimately be asked to leave behind to his employers.

In the absence of valid contractual provisions prohibiting a resigning director from making use of information acquired during his tenure of office, *the focus of inquiry is likely to be on whether the opportunity was corporate property or just an opportunity accruing to the resigned director by virtue of personal skills and expertise and his general fund of knowledge*.

(emphasis added)

[72] In the matter before us the plaintiffs' complaint as observed earlier was that the second defendant had 'stolen' information (in general terms) and used it for his own benefit through the first defendant. It needs to be reiterated however that as in the situation of 'breach of confidentiality' allegation, the plaintiffs had here firstly failed to identify with sufficient particularity in their pleading (statement of claim), what was that 'confidential information' that had been misused and whether it was peculiarly part of Dynacast Group's intellectual property.

[73] If the impugned 'information' was from within the general fund of the second defendant's own knowledge, exposure and experience accumulated in the diecast industry over the years as was the case here (and this would include potential customers, price trends in the market/public domain etc), there was definitely no grounds, in our assessment to hold that there had been a 'breach of fiduciary duty' or even a breach of confidentiality by the second defendant in this case.

[74] The cases cited by the plaintiffs' counsel were good perhaps as statements on the principle of law involved. Otherwise they were of no assistance to the plaintiffs here. In those cases cited (unlike here in this case before us), there was sufficient identification of the specific material that allegedly had been used without authority or used, contrary to a covenant to preserve the confidentiality of the employer's property (See *Svenson Hair Center Sdn Bhd v. Irene Chin Zee Ling* [2008] 8 CLJ 386 (employer's customer list); *Schmidt Scientific Sdn Bhd v. Ong Han Suan & Ors* [1998] 1 CLJ 685 (names and addresses of customers and suppliers); *Yeohata Industries Sdn Bhd & Anor v. Coil Masters Sdn Bhd & Ors* [2001] 6 CLJ (Supp) 418 (manufacturing process, secret formulas, cost price list).

[75] Counsel for the plaintiffs referred to the confidentiality agreement (15 July 1987) and the description of 'confidential information' stated there. We were of the view that this definition, namely "... documented information (eg drawings, reports, data held in computer disc, software etc) including but not limited to, materials, tooling, machine, equipment, design, process, formulas, projects, products, costs, financial data, market plans, customer and suppliers lists of business projections used by the company in

its business ...” was too wide and in generic terms for any relief to be granted as sought by the plaintiffs. It was incumbent upon the plaintiffs in any event to identify with some specific detail what was the confidential material or trade secret of the plaintiffs that had been used without authority or surreptitiously by the defendants, firstly, in order for the defendants to fairly know the actual charge or complaint against them and to answer them. This was then necessary for the court when exercising its task to strike a balance between two competing interests, if at all.

[76] As elaborated above, irrespective of whether the issues of ‘restraint of trade’ or ‘breach of confidentiality’ were treated separately or even together as two sides of the same coin, the learned trial judge in our assessment, had misdirected herself on the relevant law governing the controversy between the parties here.

[77] It must be reemphasised that the decision of the trial court was clearly premised upon defective or insufficient pleadings by the plaintiffs of their case. In any event, any such restraint to pursue a trade or business was unsustainable and bound to be a struck down.

[78] As also highlighted above, there had also been insufficient evaluation of the evidence established at the trial in any case. The plaintiffs’ primary witness Nagoor Sheriff Babu could not pinpoint the ‘documented information’ of the plaintiffs that had been ‘stolen’ or misused by the second defendant. This witness too stated that it was not the plaintiffs’ case that second defendant had secretly made or copied material belonging to the plaintiffs and that the second defendant was in any event entitled freely to compete/meet customers of the plaintiffs after the lapse of the 12 months period. It was incomprehensible how in the circumstances the learned trial judge could come to a conclusion that there had been ‘poaching’ of plaintiffs’ customers by the defendants.

[79] Accordingly the decision of the learned trial judge was plainly wrong and, appellate intervention to set it aside was justified in this case.

A **Cross-appeal**

[80] The plaintiffs' allegation that the defendants had infringed the plaintiffs' copyright hinged upon the allegation that certain images/photographs of products found within the plaintiffs' promotional material had been 'uplifted' and used (reproduced) on the cover of the defendants' brochure.

[81] Firstly, it had to be noted that there was no similarity between the plaintiffs' promotional material (put together by 'Concept Associates' a commissioned private agency) and the defendants' brochure, in so far as its layout, its title or its content was concerned. Those contentious images/photographs, it was true, were found dispersed at various pages in the plaintiffs' promotional material but in the defendants' brochure, some similar representations were found all on the cover page thereof.

[82] Secondly, those certain images/photographs were of products belonging to entities like Motorola, Compaq, General Electric etc., as attributed in the plaintiffs' promotional material itself.

[83] The ownership of the copyright to each of those images/photographs was clearly with the respective photographers or with the entities to whom the product was attributed (by assignment, or license from those photographers perhaps). It was in evidence that the photographs were taken by one Chris Wright Photography Ltd but no witness was called to establish the authorship of the works nor was any evidence produced that its copyright singularly or collectively had been now vested in the plaintiffs.

[84] We were of the view that the learned trial judge was therefore right in the circumstances in holding that the mere calling of a witness from Concept Associates (the agency) was not sufficient to prove ownership of the copyright to the images/photographs in question. In any event the subject of the infringement allegation brought against the defendants, was not that the get-up or layout or even material within the plaintiffs' promotional material had been 'word for word' reproduced or adopted in the first defendants' brochure.

[85] As regards the issue of 'passing off', counsel for the plaintiffs conceded that it was not raised in the pleadings but had only been pursued in submissions as an alternative head to the copyright allegation, for adjudication by the court.

[86] We found merit in submissions of counsel for defendants, that further to the fact that the claim in passing off was not specifically pleaded, the plaintiffs had also at trial failed to establish the essential elements to succeed if at all, on any such claim. These included proof that there was a misrepresentation by the defendants through use of similar get-up, that there has been actual confusion or a deception practised on prospective customers or the general public, and that some standing reputation or goodwill of the aggrieved party (here the plaintiffs) had been affected by that tortious act.

[87] We therefore found no reason to interfere with the decision of the learned trial judge which rejected the plaintiffs' allegations, of 'breach of copyright' and/or in passing-off. The cross-appeal by the plaintiffs was accordingly dismissed by us.